

A YEAR IN REVIEW: FISCAL YEAR 1999 -- July 1, 1998 - June 30, 1999

Bar Coding – Building A Bridge to Electronic Filing

The Indiana Department of Revenue was the first state to develop bar coded tax returns, enabling the processing of paper returns as if they were filed electronically. The Department realizes that a number of taxpayers are not yet ready to file their tax returns electronically because they want the security of a paper return; therefore, bar coded returns act as a bridge between electronic filing and paper returns.

This year for the first time, when a taxpayer had a return prepared by most H & R Block offices, a 2-D Bar Code was added to the tax return as it was printed. The same was true for all tax returns printed off the Internet. This 2-D bar code contains all of the information that is entered onto a tax return, in addition to all of the information contained on up to 10 W-2 forms.

When a return with a bar code is received by the Department, it is scanned directly into the Returns Processing System. During the initial year of this project, the Department received slightly over 131,000 bar coded returns. Fewer errors were found in the bar coded returns received (the same 2% rate as for electronically-filed returns, as opposed to 14% for regular paper returns); and, since no data entry had to be made at the Department, there were no keying errors. This means that not only can these returns be processed faster and with fewer errors involved, but refunds can be generated much faster with an additional savings to the Department and ultimately to the taxpayers of the State of Indiana.

In addition to the faster processing time, the Department has also realized savings in processing costs of about \$100,000. With a average savings ranging from \$.69 to \$.79 per return, depending on whether the return is a refund or remit return, it becomes advantageous for the Department to pursue the use of bar coded returns.

Though the Department of Revenue would prefer that all returns be filed electronically, it sees bar coded returns as the bridge to that goal. Says one spokesperson: "We are trying to serve our customers in a way that allows them to tell us how they want to file their returns, whether it be by traditional paper, TeleFile, electronically, or bar coded. We have been asked to run state government smaller and smarter, and we feel that with the use of this technology we are doing just that."

IDOR Web Page Accessed the Most

Though fairly new, the Indiana Department of Revenue's web site has proven so popular that it was accessed more than those of any other state agency during the 1998 tax-filing months of February and April, 1999, and came in second in January and March of the same year. Department officials plan to continue to utilize the site, which was launched in a fully mature stage with 3,000 pages in 1998, and to leverage all available Internet technology to help it move towards a paperless system in the future.

Hoosier taxpayers were able to file their IT-40 returns via the Internet for the first time during the 1998 tax season (in 1999), and officials plan to continue to refine the site with new functions and services requested by taxpayers.

During FY99, a total of 2,453,798 accesses were made of the Department of Revenue's Internet Web Site at <http://www.state.in.us/dor/>. A breakdown by month follows:

July, 1998	46,378
August, 1998	50,007
September, 1998	47,084
October, 1998	56,184
November, 1998	56,236
December, 1998	76,340
January, 1999	278,942
February, 1999	519,329
March, 1999	476,986
April, 1999	623,286
May, 1999	103,219
June, 1999	119,807

The Indiana TaxFax System

During Fiscal Year 1999, the TaxFax System answered 29,041 calls, down 18% from the 35,219 calls during FY98. This decrease is attributed to the implementation of the Indiana Department of Revenue's Internet site at "<http://www.state.in.us/dor/>" and last year's release of Indiana Package IN-X on CD ROM. However, since the Internet site and the Package IN-X CD both require computer access, for many users the TaxFax System is still a viable method for obtaining forms, especially the harder-to-locate documents, such as information bulletins and departmental notices.

The total number of documents ordered via the TaxFax System was also down about 6,000 from the 19,578 ordered in FY98 to 13,639 in FY99.

An interesting sidelight is that the percentage of successful faxes transmitted rose from 73% to 79% between FY98 and FY99, possibly indicating fewer people were changing their minds after calling TaxFax (disconnecting before transmission) and/or were learning how to better use the TaxFax System.

Electronic Filing Forging Ahead, but Paper Returns Maintain a Majority

An ever-increasing portion -- about 31.7% -- of all Individual Income tax returns filed during the 1998 filing season (FY99), were filed electronically, Department statistics indicate. The largest group of non-paper returns, accounting for 22.2% of the total and consisting of 454,820 returns, was Federal/State Electronic-Filed returns.

The second largest group of electronically-filed returns was bar-coded returns (in their premier appearance), with 122,915, or 6.0%. Federal/State TeleFile returns numbered 65,398 and accounted for 3.2% of all Individual Income tax returns. And, finally, Indiana Internet returns totalled 6,201, but accounted for less than one-third of 1% (0.30%) of all returns filed.

Though electronically-filed returns are forging ahead, traditional paper returns still outweigh all other methods of filing combined, with a total of 1,398,758 returns, or 68.3%.

New Ways to File Taxes

The traditional way to file Indiana State taxes is by completing and mailing a paper tax return. The Department of Revenue is continually researching faster, easier, and more efficient methods of tax filing.

Current Trust Tax Initiatives **Business Tax Electronic Filing Program**

Businesses collecting Retail Sales and Use Taxes and Employer Withholding Taxes are now able to pay these taxes via an Electronic Data Interchange (EDI) program, as well as file corresponding returns with their computer modem, thereby eliminating time-consuming telephone calls related to the Electronic Funds Transfer system (EFT). Personal computer software is provided free by the Indiana Department of Revenue to businesses for either single returns or for thousands of re-

turns. An account is established with a simple registration process; and, unless the signatures on the original electronic filing application change or become invalid, there is never a need for paper transactions again. Filers may, however, print out running histories and detailed summaries of their accounts at any time.

Current Individual Income Tax Initiatives **Federal/State Electronic Filing Program**

Individuals who use tax practitioners to prepare their Individual returns can now file both state and federal returns via the Federal/State Electronic Filing Program (EPF). This was the sixth year that Indiana has participated in this program.

IT-40 Express

This new program allows taxpayers to file IT-40 returns directly through the Internet. It may also be used to prepare hard copy returns, which may then be mailed to the Department of Revenue. These returns have the special, two-dimensional barcode on them, which allows the Department to "scan" them into its computer system for faster processing.

Federal/State TeleFile Program

Individuals who traditionally file "EZ" forms can now file both their federal and Indiana tax returns during one, toll-free phone call.

Indiana and Kentucky are the first states participating in this program, which was brand new this year. Participation is by invitation only (taxpayers had to receive both a federal TeleFile and an Indiana TeleFile package in the mail.)

Federal/State On-Line Filing

This new filing initiative offers the same benefits as Federal/State Electronic Filing, except it can be done from a home computer.

Paper Returns

Of course taxpayers can still file Indiana Individual Income Tax Returns by the traditional paper method, as always. Many Indiana tax forms are available for downloading from the Department's web site: <http://www.state.in.us/dor/>.

Indiana and Illinois Discuss Reciprocity

Thousands of Hoosier taxpayers who work in Illinois will be watching discussions between representatives from Indiana and Illinois to see if the two states reach a new reciprocal tax agreement. The states met several times to share information.

A former 25-year-old reciprocity agreement between the two states required taxpayers living in one state and working in the other to file tax returns with only their state of residence. However, the agreement was terminated by Illinois on January 1, 1998, because Illinois claimed Indiana had many more workers in Illinois than Illinois did in Indiana and that Illinois was losing millions of dollars in tax revenue. As a result, Hoosier taxpayers working in Illinois were required to file with Illinois, as well as with the Indiana for Tax Year 1998.

A law enacted by the Indiana General Assembly during Spring, 1999 allowed the Indiana Department of Revenue to negotiate a tentative settlement amount with the State of Illinois. If an agreement is reached, approval also is needed by the Governor's Office and the State Budget Committee.

Year End Collections Bring in Over \$10 Billion for State

The Department closed out FY99 (July 1, 1998 - June 30, 1999) with collections of \$10,599,037,400, up 6.26% from \$9,974,973,400 in FY98.

The Indiana Department of Revenue serves as the primary administrator for the tax laws of the State of Indiana, operating on a fiscal year (FY) basis covering July 1 through June 30. The Department strives to maintain a fair and efficient work ethic, while promoting the highest degree of public trust and voluntary compliance.